



ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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SERVING OVER 320,000 MEMBERS

October 2008

RSA Battle House Hotel and Tower Honored



In September 2008, the International Downtown Association, a world-class organization, selected the Battle House, A Renaissance Hotel, and the RSA Battle House Tower as the *Special Achievement Award in Economic Development* at its 54th Annual Conference in Calgary, Canada.

The notification letter stated, "We received 76 submissions... the most received in recent years...making the judging a difficult task. We commend your efforts and hope you are especially proud."

Alabama, Mobile, and the RSA are indeed proud and appreciate the outstanding recognition of progress and resolve to improve Alabama. ■

Amendment #1

By Joseph B. Morton
State Superintendent of Education

On November 4, every registered voter in Alabama will have an opportunity to vote on Amendment 1. This is a Constitutional Amendment that amends the current language on the Education Rainy Day Fund and creates one for the General Fund.

Two years ago, all school systems banded together to aid 30 systems that did not have 10 mills of property tax at the local level. Now, all 132 systems must band together to help citizens to see the value of approving Amendment 1 in order to aid all of public education – the 132 school systems, postsecondary education, and higher education.

...This is not a tax increase or a "handout." It is a Constitutional Amendment that creates a loan to education if proration is declared by the Governor. Whatever is loaned must be repaid, but by having the loan capability jobs can be saved and services to students can continue.

Let's make sure educators do their part to educate Alabama voters on the opportunity Amendment 1 provides to all of education. ■

The Drumbeat Against Public Employees

Source: Alabama Education Association

Press reports and editorials around the state have been raising questions on the benefits of education employees, at times offering pointed criticism of the health care and retirement plans educators receive. The steady media drumbeat raises concerns that a new push to limit or reduce benefits could occur, and that projected shortfalls in revenue to the Education Trust Fund (ETF) would help initiate that push.

"The state promised health care and retirement to every person who is dedicated to education, and we will make sure those promises are honored," said Dr. Paul Hubbert. "We will not allow

any cuts to retirement or health benefits. That is our bottom line."

News stories have recently focused on the financial health of the Teachers' Retirement System (TRS). Currently, TRS has \$20.651 billion in assets and faces \$25.972 billion in future pension payments, which means the system has approximately 80 percent of the assets it needs to fulfill its future obligations. TRS covers 227,498 active, former and retired employees of public schools, two-year colleges and universities, or their beneficiaries.

At the beginning of this decade, TRS had more than 100 percent of the

assets it needed to meet its obligation. Bear markets, investment losses, and the faltering economy have reduced the overall value of TRS holdings.

"While the pension system is not where we want it to be, it is a problem that can be corrected over time," said Hubbert. "We have taken it on-the-chin with some of the fund's investments recently, and as long as assets like stocks and bonds remain down we'll still have this gap in obligations. The fact is we have seen this before and have been able to build TRS back up, so I am optimistic

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Editorial

The Birmingham News

Some things never change, not for a decade, or even nine decades. For at least the past decade, Alabama has ranked dead last in the nation in state and local tax collections per person. State, county and city governments collected \$2,782 in taxes per person in fiscal 2006, according to the Census Bureau's most recent report on state and local taxes and state population estimates. That's \$918 less than the \$3,700 national median, with half the states below and half above the latter figure.

If Alabama taxed at the median rate, there would be an extra \$4.2 billion for state and local services. If Alabama taxed at the rate of No. 49 Mississippi (unofficial Magnolia state motto: "Thank God for Alabama"), our state and local governments would have \$184 million more to spend.

But "no new taxes" has played well in Alabama forever, or at least for more than nine decades, as the 1918 Russell Sage Foundation report makes clear. That report said Alabama didn't raise enough money to meet citizens' needs, nor did it raise that money fairly.

In 1918, the answer was tax reform.

"This suggestion will be met by the statement that the citizens of Alabama are firmly opposed to any increase of taxation and that to vote for such legislation would be political suicide to members of the Legislature," the report said.

In 2008, the answer still is tax reform.

State and local governments still need more money to provide services to their citizens, from police protection, to roads, to schools, to prisons. As Jim Williams, head of the Public Affairs Research Council of Alabama, notes: "We're trying to do the same thing with about 70 percent of the money, and that's a hard thing to do."

It is a hard thing, too, to convince Alabamians of the need to raise taxes. With great reason: Despite the nation's lightest state and local tax burden, it doesn't feel that way to many people. That's because, as the Sage report noted, state government didn't raise tax dollars fairly then, and it doesn't now.

Poorer citizens pay a far larger

share of their incomes in state and local taxes than the wealthiest Alabamians do. Families in the lowest 20 percent income levels (less than \$16,000 a year) pay more than 11 percent of their incomes in state and local taxes, while those in the top 1 percent (\$316,000 a year and more) pay only 4.3 percent, the Institute on Taxation and Economic Policy reported earlier this year.

Why is everything so out of whack? Blame sales taxes that are among the highest in the nation and hit the poor the hardest, as well as exemptions and loopholes that prevent much of the state's wealth from being taxed. Alabama excludes about half the sales tax, 52 percent of personal income and 88 percent of property value from its tax base, a *Governing* magazine study on state tax systems noted.

That is a recipe for a tax system that burns the poor and middle class as it caters to the wealthy. It is no wonder so

many people in Alabama don't want higher taxes; they're already paying more than their fair share even though the state ranks 50th in state and local taxes per person.

Only by righting the imbalances in the tax system will the Legislature ever be able to make the case for raising taxes, as well. Yet when we last left lawmakers during this year's session, they had blown a chance to bring some fairness to the tax system by removing the state sales tax from groceries and raising the threshold at which families start paying income tax.

Nine decades ago, the answer was tax reform. But the Legislature has been much more interested in carving out special-interest tax exemptions than in bringing fairness to the tax system. Suffice it to say, lawmakers have ignored Sage advice. ■

The Drumbeat Against Public Employees

Continued from page one

we will do it again."

Hubbert says an important aspect of the strength of the pension plan is to make sure that when cost-of-living adjustments are made to retirees that those adjustments are paid for by new revenue in the Education Trust Fund, and not just placed as a new obligation.

"There is no doubt that retiree benefits need to keep up with inflation. AEA is the only organization in Montgomery looking out for education retirees; it is our responsibility that they are taken care of and that the pension system remains sound. The reason retirees get a bonus check some years instead of a cost-of-living adjustment is because revenue is short and the additional funds needed for a permanent increase are just not there."

Rising health care costs have also raised concerns about PEEHIP. In 1999, the health outlay from ETF was \$317 million. Over the past decade it has risen dramatically to \$949 million for 2009, tripling in ten years.

Such cost increases have had organizations and media outlets calling for higher premiums and reduced benefits.

Last year, the *Mobile Press-Register* attacked the health benefits of educators and accused them of belonging to the "privileged class of teachers," citing that the \$2 per month premium pales in comparison to the \$58 bill the average worker must pay. They and other editorial writers have been calling on the Legislature to raise premiums and slash benefits.

"We are always concerned about the spiraling cost of health care, and the pressure it may put on the Education Trust Fund. But raising premiums without raising salaries is a pay cut, pure and simple. Again, it is something we will fight, and we will prevent from happening," said Hubbert.

AEA has been working with Gov. Riley to ensure the soundness of PEEHIP. Recently Alabama was the first state to put aside funds for future health care costs, placing more than \$400 million in a health care trust. ■

Couples Classic & National Village

Take one celebrity chef. Add one part golf and one part cuisine in a new luxury community. Mix and serve to guests from around the country and you have the recipe for a great week in Opelika.

This October 24-26, celebrity chef Tim Creehan will be teaming up with the Robert Trent Jones Golf Trail and National Village, a brand new resort community on The Trail in Opelika, to celebrate the Couples Classic and showcase the new upscale homes at National Village.

The renowned chef will be performing cooking demonstrations at National Village during the reception for the Couples Classic golf tournament. The Couples Classic will include 112 golfing couples from 23 different states. They include: Texas, 32 couples; Florida, 31;

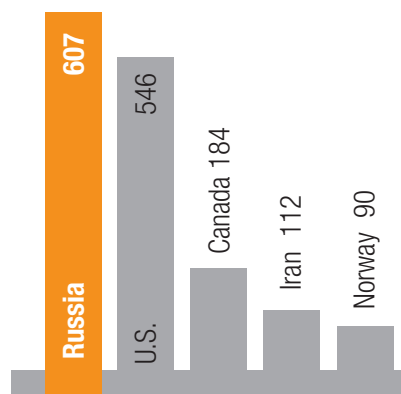
Georgia, 19; South Carolina, 18; Missouri, 10; and couples from New Mexico, New York, Minnesota and Nevada (Las Vegas). Each of these luxury homes at National Village is equipped with cooking appliances from DCS by Fisher & Paykel. Chef Tim Creehan has served as the chief spokesman for the company since 2005.



Creehan, who was recognized as one of five "Shining Star Chefs" by *Cooking Light*, owns and operates several restaurants in Florida. The celebrated chef has also been requested to cook for countless celebrities, including country music stars Amy Grant and Vince Gill, Dallas Cowboy owner Jerry Jones, M*A*S*H actor Wayne Rogers and Hollywood superstar Bruce Willis. ■

TOP FIVE GAS PRODUCERS

CUBIC METERS ANNUALLY, BILLIONS

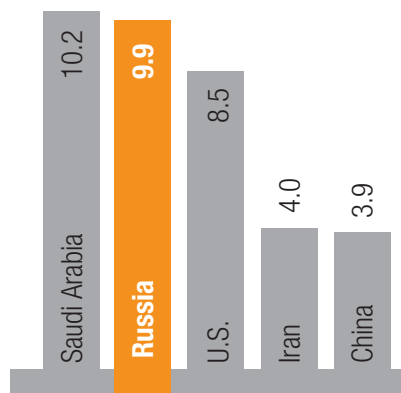


TOP FIVE IMPORTERS OF RUSSIAN GAS \$BILLIONS

Germany	\$10.8
Italy	\$7.2
Turkey	\$7.0
Hungary	\$2.4
France	\$2.3

TOP FIVE OIL PRODUCERS

BARRELS DAILY, MILLIONS



TOP FIVE IMPORTERS OF RUSSIAN OIL* \$BILLIONS

Netherlands	\$24.0
Italy	\$14.4
Germany	\$11.6
Poland	\$9.1
China	\$5.4

* Crude petroleum oils

Source: Fortune



WANT TO HELP?

A FREE Car Tag

Tired of that worn-out dealer tag on the front of your car? Would you like to help the RSA and our Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call Tisha to request a tag at (334) 517-7100, or 877-517-0020, or write:

Tag | P.O. Box 302150 | Montgomery, AL 36130-2150

We Have Moved!

Even though we moved, our mailing address will remain the same:

Retirement Systems of Alabama
P.O. Box 302150
Montgomery, AL 36130-2150

What changed is our physical address, phone numbers, and email addresses. If you happen to use the old phone numbers or email addresses, you will be redirected to the new ones. The Web address changed in June.



Office location: **201 South Union Street**
Phone numbers: **334.517.7000 or 877.517.0020**
Fax numbers: **334.517.7001 or 877.517.0021**
Email addresses: **firstname.lastname@rsa-al.gov**
Web address: **www.rsa-al.gov**

Clip and Save



ENJOY YOUR FALL
A Special Deal
FOR RSA MEMBERS

The Battle House,

A Renaissance Hotel – Mobile – \$89

- Oct. 10–11, 17, 26–31 • Nov. 3–6, 16–17, 25–30
- Dec. 1, 11–25

**The Renaissance Riverview Plaza –
Mobile – \$79**

- Oct. 1–2, 12–15 • Nov. 3–6, 16–17, 25, 30
- Dec. 1, 11–25

Marriott Grand – \$89 plus a 14% resort fee

- Oct. 5–7, 26–31 • Nov. 1–4, 8–11, 17–20
- Dec. 1–4, 12–22, 28–31

Marriott Grand – RSA Golf Package – \$169

Ask for code – LOCD

Includes: Deluxe Room, One Round of Golf for Two People.

Call for Tee Times after booking package

- Oct. 5–7, 27–31 • Nov. 1–2, 8, 10–11, 17–20
- Dec. 1–4, 12–22, 28–31

Marriott Shoals – Florence – \$79

- Oct. 12, 19–21, 27–28
- Nov. 3–4, 9–11, 16–17, 23–24, 30
- Dec. 1–2, 7–8, 15–16, 21–23, 28–30

Renaissance Ross Bridge – Hoover – \$89

- Oct. 1, 12, 14, 21, 31
- Nov. 1–4, 15–16, 18, 21–26, 30
- Dec. 1–2, 5–8, 14–31

Opelika Marriott – \$79

- Oct. 5–6, 9, 12, 19, 27 • Nov. 2, 9–10, 23–30
- Dec. 7, 14–17, 21–30

Prattville Marriott – \$79

- Oct. 5–9, 12, 18–22, 26
- Nov. 2, 8–11, 18–20, 23–25, 28–30
- Dec. 1, 4, 7, 14, 17–31

Renaissance Montgomery – \$89

- Oct. 18, 26–27 • Nov. 1, 10–12, 22–25, 28–29
- Dec. 6–8, 14–30

RSA Spa Package – \$159

Ask for code – LOCD Includes Deluxe Room

- Oct. 26–27 • Nov. 10–12, 23–25
- Dec. 7–8, 14–18, 21–23, 28–30

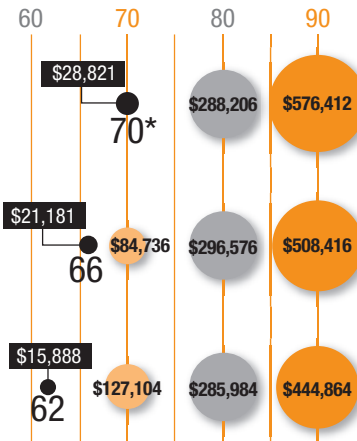
*Book early because the rooms are limited
at these special rates. These rates are not applicable
to groups or conventions.*

Code: RABM, 800-228-9290

When Waiting Is Worth It

Here's a look at how the cumulative value of Social Security benefits changes depending on when you start collecting them and how long you live.

Cumulative benefits value at ages:



\$ Initial annual Social Security income

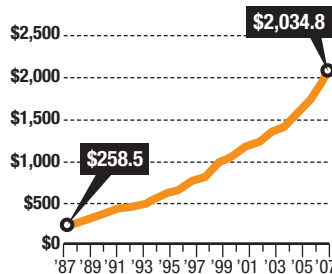
*\$0 cumulative value at age 70 if you start taking benefits at age 70

Note: Lifetime Social Security income for someone age 55 in 2006, making \$75,000 before taxes, with a full retirement age of 66. The totals do not reflect possible survivor's benefits.

Source: Fidelity Research Institute

Retirement Benefits Paid By RSA

Dollars in millions



Years are fiscal years that ended Sept. 30. For instance, FY 2007 started Oct. 1, 2006, and ended Sept. 30, 2007.

Source: Retirement Systems of Alabama



**The
ADVISOR**

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Legislative Counsel

Lindy J. Beale

RSA-1

Teresa Pettus

Teachers' Health Insurance

Lee Hayes

Teachers' Retirement

Donald L. Yancey

The Retirement Systems of Alabama

201 South Union Street

P.O. Box 302150

Montgomery, Alabama 36130-2150

Phone: 334/517-7000

877-517-0020

RSA Web site

www.rsa-al.gov

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Report — Weedy Lots — to the Mayor!